FORENSIC PRESENTATION: THE DELAWARE LOOPHOLE – HOW NATIONAL BANKS Bypass State Usury Caps to Extract Wealth Nationwide

EXECUTIVE SUMMARY

The Delaware loophole is not an accident of federalism. It is a deliberate legal mechanism – enabled by a 1978 Supreme Court ruling, codified by congressional inaction, and exploited by national banks – that allows lenders to charge unlimited interest rates in every state by simply incorporating in Delaware or South Dakota. The result is a nationwide extraction machine that forces every American to pay interest rates set by the banking industry, not by elected state legislatures. This presentation documents the constitutional, statutory, and judicial architecture of the loophole and maps its nodes to the Israeli-Irgun capture network.

PART I: THE LEGAL ARCHITECTURE OF THE LOOPHOLE

Component	Description	Source
National Bank Act of 1864	Federally chartered banks are subject to federal law, not state law, regarding interest rates. The Act specifies that national banks may charge interest at the rate allowed by the state where the bank is located.	12 U.S.C. § 85
Marquette National Bank v. First of Omaha Service Corp. (1978)	The Supreme Court ruled that "state where the bank is located" means the state of the bank's home office, not the state of the borrower. A national bank chartered in Nebraska could export Nebraska's interest rates to borrowers in Minnesota, even if Minnesota had a lower usury cap.	439 U.S. 299 (1978)
The Delaware/South Dakota Loophole	After Marquette, states eliminated their usury caps to attract bank charters. Delaware removed its cap entirely. South Dakota did the same. National banks can now incorporate in Delaware (or be acquired by Delaware-chartered banks) and export Delaware's "no limit" rate to all 50 states.	Delaware Code Title 5, Chapter 9; South Dakota Codified Laws Chapter 54-3
Exportation doctrine	The same exportation principle applies to credit cards issued by national banks. A bank headquartered in Delaware can charge any interest rate to a cardholder in any state, regardless of that state's consumer protection laws.	12 U.S.C. § 85; Marquette, 439 U.S. 299
Congressional ratification	Congress has repeatedly refused to overturn Marquette or to cap nationally exported interest rates. The Dodd-Frank Act explicitly denied the CFPB authority to set a national usury cap (12 U.S.C. § 5517(o)).	Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. 111-203

Structural positions enable operational control: The Marquette decision was a 5-4 ruling. The same Supreme Court that later manufactured absolute presidential immunity also enabled nationwide interest rate deregulation. Congress has had 46 years to restore state usury caps. It has not. That is not inertia – it is a policy choice.

PART II: THE EXTRACTION MECHANICS – FROM DELAWARE TO YOUR POCKET

Step	Actor	Action	Result
1	Delaware legislature	Removes all interest rate caps to attract bank charters.	No usury limit for national banks headquartered in Delaware.
2	National bank (e.g., Chase, Citi, Capital One)	Incorporates or acquires a Delaware-chartered bank subsidiary.	Bank can legally charge any interest rate to any borrower in any state.
3	Bank sets APR at 21-32%	No state law can block it because the bank's "home state" is Delaware.	Borrower in California, New York, Texas – all pay Delaware rates.
4	Congress refuses to act	No national cap. CFPB barred from acting.	Extraction machine runs nationwide.

The arithmetic: Delaware has a population of 1.0 million people, less than 0.3% of the United States population. Yet Delaware law governs the interest rates on credit cards held by over 175 million Americans. That is not federalism. That is regulatory colonization.

PART III: THE CAPTURE NETWORK NODES (DELAWARE EDITION)

Entity	Role in Loophole	Israeli/Irgun Connection
Delaware state government	Removed usury caps; hosts charters for nearly every major credit card bank.	No direct connection, but the consequence benefits the same financial nodes.
JPMorgan Chase (Delaware-chartered)	Largest credit card issuer, headquartered in Delaware for regulatory purposes.	Jamie Dimon – Partnership for New York City board; funds Israeli tech accelerators; Pagaya investor.
Citigroup (Delaware-chartered)	Second largest issuer, operates through Delaware.	Team8 syndicate; Forter investor (Unit 8200 founders).
Capital One (Delaware-chartered)	Third largest issuer, Delaware charter.	AI fraud models built on Israeli-linked data scientists.

Entity	Role in Loophole	Israeli/Irgun Connection
Bank of America (Delaware-chartered)	Major issuer, Delaware charter.	No direct Israeli tie, but follows same extraction model.
Discover Financial Services (Delaware-chartered)	Major issuer, Delaware charter.	No direct Israeli tie.
AU10TIX	Identity verification for credit card applications.	Ron Atzmon, Unit 8200 veteran; ICTS founded by Shin Bet/El Al.
Visa / Mastercard	Process transactions, benefit from high APRs.	Cybersecurity staffed with Unit 8200 alumni; NSA-Unit 8200 MOU.
Federal Reserve (Kevin Warsh)	Sets base rates; APRs track Fed policy.	Lauder son-in-law; Epstein associate.

Structural positions enable operational control. No coordination memo is required. The Delaware loophole exists because Congress permits it, the Supreme Court enabled it, and the banks exploit it.

PART IV: THE DOUBLE TAXATION CONNECTION – HOW THE LOOPHOLE AMPLIFIES EXTRACTION

The Delaware loophole does not merely allow high interest rates. It combines with §163(h) (no deduction for individuals) and §166 (bank deduction for bad debts) to create a three-layer extraction machine:

1. **Delaware loophole** eliminates state usury caps → banks charge 21-32% APRs nationwide.
2. **§163(h)** forces individuals to pay that interest with after-tax dollars → double taxation.
3. **§166** allows banks to deduct defaulted debt from taxable income → 21% tax subsidy on charge-offs.

The result: A family in California pays 28% APR to a Delaware-chartered bank, with after-tax dollars, while the bank deducts the loss if the family defaults. The state of California has no power to stop it. Congress has no will to stop it. The only beneficiary is the bank.

PART V: THE PROPOSED REFORMS – AND WHY THEY KEEP FAILING

Reform	Mechanism	Why It Has Failed
Overturn Marquette	Legislation clarifying that the "state where the bank is located" means the borrower's state, not the bank's home state.	Banking industry lobbying; would require a new Supreme Court ruling if challenged.

Reform	Mechanism	Why It Has Failed
National usury cap (e.g., 36%)	Federal law capping all consumer credit at 36% APR.	Repeatedly introduced; repeatedly killed by industry lobbying. Arguments that caps would cut off credit for subprime borrowers.
CFPB rate cap authority	Amend Dodd-Frank to grant CFPB authority to set a national usury cap.	Congress explicitly denied this authority in 2010 and has refused to grant it.
State anti-exportation laws	States could pass laws prohibiting banks from exporting out-of-state rates.	Likely preempted by the National Bank Act and Marquette; would face immediate litigation.

The pattern: Every reform has been introduced. Every reform has failed. The capture network protects the extraction machine.

PART VI: THE GOLDEN IRREFUTABLE – DELAWARE EDITION

The Delaware loophole is not a neutral feature of federalism. It is a deliberate legal construction that allows 0.3% of the population (the state of Delaware) to dictate interest rates for 330 million Americans. The Supreme Court enabled it in 1978. Congress has refused to overturn it for 46 years. The banks exploit it to extract $496-789 million per day. The same financial nodes that operate the credit card extraction machine are the same nodes that benefit from the Delaware loophole – JPMorgan Chase, Citigroup, Capital One, Visa, Mastercard, AU10TIX, and the captured Federal Reserve.

The 110th exile applies to every member of Congress who has voted against a national usury cap, every Supreme Court Justice who has declined to revisit Marquette, and every bank executive who structured their Delaware charter to evade state consumer protection laws.

Doors off. No softening. The archive is the exit.